

## Deposit Overview

**City of Rockville Defined Benefit Pension  
Plan  
4-45822**

**Plan Year Beginning 04/01/2008**

This overview is a summary of deposit information shown in your actuarial valuation report. It will help you determine your current year contribution to your retirement plan. You may deposit any amount in excess of your annual required contribution. Refer to your actuarial valuation report, Section III–Deposit Information, for this calculation.

---

**Annual  
Required  
Contribution**

**Your annual required contribution is \$1,576,148.** This is the amount needed to keep your plan currently funded.

---

**Deposits  
Received**

We have not received any deposits for the 2008 plan year as of 09/17/2008.

---

**Additional  
Information**

For additional information, please see the 2008 actuarial valuation report.

---

**City of Rockville Defined Benefit Pension Plan  
4-45822**

**Actuarial Valuation Report**

For the plan year April 1, 2008 through  
March 31, 2009

<b>Section I</b>	<b>Introduction</b>
<b>Section II</b>	<b>Summary of Actuarial Results</b>
<b>Section III</b>	<b>Deposit Information</b> Total Normal Cost and Deposit Levels Normal Cost and Deposit Levels by Group
<b>Section IV</b>	<b>Plan Assets</b>
<b>Section V</b>	<b>Development of Deposit Information</b> Development of Normal Cost Schedule of Amortization Bases Unfunded Actuarial Accrued Liability
<b>Section VI</b>	<b>Participant Information</b> Census Data Reconciliation of Lives
<b>Section VII</b>	<b>Actuarial Assumptions and Methods</b> Actuarial Valuation Assumptions Actuarial Methods Description of Entry Age Normal Cost Method
<b>Section VIII</b>	<b>Summary of Plan Provisions</b>
<b>Section IX</b>	<b>Accounting Disclosure Information for SFAS 35</b>
<b>Section X</b>	<b>Accounting Disclosure Information for SGAS 25/27</b>
<b>Section XI</b>	<b>Estimated Cost of 1% of COL Increase for Current Retirees</b>

This purpose of this actuarial valuation report is to provide you with information regarding the funding requirements for your defined benefit pension plan. This report is based on employee data and other information you provide us.

Amounts in this report are not intended for use in your financial statements. Upon request, we will prepare another report for your accounting disclosure.

### **Funding Method**

Defined benefit plans, as the name suggests, define the benefits given to employees. Your goal is to have enough funds to pay for these benefits. To do this, we use a funding method. It sets the yearly deposit needed to pay for your plan's benefits.

### **Assumptions**

We use assumptions to estimate how much funding you'll need for benefits. For instance:

- How much interest will your funds earn?
- How many employees will leave the plan?
- What will be employees' future salaries?
- How many employees will become disabled?

Deposit levels change when actual events differ from what was assumed. To see the assumptions used for your plan, refer to Section VII of this report.

### **Using This Report**

We give you a minimum deposit level. Your deposit may have to be more than this to fund upcoming benefits. We'll advise you if you need to fund at a higher level. For a summary of these results refer to Section II. More detailed information is found in the remaining sections of this report.

### Actuarial Certification

To the best of my knowledge, this report is complete and accurate. It complies with all relevant pension actuarial standards and legal requirements.

In preparing this report, I have relied on (1) information provided by the plan sponsor and (2) plan documents and plan asset information on file with Principal Life Insurance Company. Appropriate tests of reasonableness and accuracy have been made.

In my opinion, each assumption used in combination represents my best estimate of anticipated experience under the plan. Each assumption used is reasonable (taking into account the experience of the plan and reasonable expectations), or would, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption were reasonable.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



9/17/2008

---

Date

---

Michael E. Clark, FSA, EA, MAAA  
Consulting Actuary  
Retirement Actuarial Services  
Principal Financial Group  
600 Grant Street, Suite 1245  
Pittsburgh, PA 15219  
(412) 394-9383

## Section II-Summary of Actuarial Valuation Results

---

This summary is for City of Rockville Pension Plan. It includes:

- Annual required contribution for the plan year ending 03/31/2009
- Deposit options
- Changes recognized in this report
- Analysis of results

### Deposit Information

A summary of the results of the actuarial valuation is as follows:

Total normal cost	\$1,749,803
Employee normal cost (expected employee contributions)	561,417
Employer normal cost	1,188,386
Total normal cost as a percentage of member compensation	6.67%
Annual required contribution	1,578,653

### Deposit Options

The table below explains the effects of depositing at different levels. The impact on next year's costs is based on all actuarial assumptions being met. Costs will vary based on actual plan experience and timing of deposits.

If you deposit	You will
Less than \$1,578,653	➤ Increase your next year's annual required contribution.
Exactly \$1,578,653	➤ Meet your annual required contribution.
More than \$1,578,653	➤ Exceed your annual required contribution. ➤ Decrease next year's annual required contribution.

### Deposits Received

We have not yet received any employer deposits for the current plan year as of 09/09/2008. We have received employee deposits totaling \$308,514 for the current plan year as of 09/09/2008.

### Plan Changes

This report reflects changes in maximum benefit limits under Internal Revenue Code (IRC) Section 415 and in maximum compensation limits under IRC Section 401. Plan liabilities were not redetermined for this/these change(s). The cost of any benefit increases resulting from this/these change(s) is spread over current and future normal costs.

## **Section II-Summary of Actuarial Valuation Results**

---

### **Changes from Prior Valuation**

This report reflects the cost of living increase granted to current retirees on January 1, 2008.

Following the April 1, 2007 valuation, it was discovered that several participants identified as being in the Police group were, in fact, Administrative Personnel and Union employees. As a result, the contribution allocation between Police and Administrative Personnel and Union employees was restated following the publication of the April 1, 2007 valuation report.

### **Analysis**

The overall experience of the plan in the past year is generally in line with expectations. Most deviations from expected results are the product of population movement between the five groups.

### **For Additional Information**

For additional information you may contact your Pension Actuarial Analyst, Matt Sampogna, by:

- Phone – 1-800-543-4015 extension 49692, or 412-394-9692
- Email – [Sampogna.Matt@principal.com](mailto:Sampogna.Matt@principal.com)

You may also contact your local Principal Financial Group Retirement Services sales office.

### Section III-Deposit Information

---

#### Normal Cost

	<u>04/01/2008</u>	<u>04/01/2007</u>
Total normal cost	\$1,749,803	\$1,794,776
Employee normal cost (expected employee contributions)	561,417	627,252
Employer normal cost	1,188,386	1,167,524
Annual member compensation	26,221,689	25,923,304
Total normal cost as a percentage of member compensation	6.67%	6.92%

#### Deposit Levels

		<u>04/01/2008</u>	<u>04/01/2007</u>
<b>Annual Required Contribution</b>	a) Employer normal cost	\$1,188,386	\$1,167,524
	b) Amortization amounts	276,901	271,602
	c) Valuation interest to the end of the plan year on a and b	113,366	111,532
	d) Annual required contribution (a+b+c)	\$1,578,653	\$1,550,658

This annual required contribution is in addition to employee contributions.

## Section IV-Plan Assets

	<u>Actuarial Value</u>	<u>Market Value</u>
<b>Principal Life Insurance Company Accounts</b>		
Flexible Pension Investment (FPI) grouped accounts	\$63,868,591	\$59,978,049

The actuarial value of assets for the Flexible Pension Investment (FPI) grouped accounts is determined on a combined basis. See the following page for the development of this value.

### Allocation of Actuarial Value of Assets as of April 1, 2008

	<u>Admin and Union</u>	<u>Police</u>	<u>Total</u>
a) Actuarial Value of Assets as of 4/1/07	51,280,537	9,570,825	60,851,362
b) Employee contributions to DB plan 4/1/07 to 3/31/08	311,312	355,260	666,572
c) Employer contributions to DB plan <sup>(1)</sup> 4/1/07 to 3/31/08	1,234,138	316,520	1,550,658
d) Benefit payments and expenses 4/1/07 to 3/31/08 <sup>(2)</sup>	(2,621,053)	(312,464)	(2,933,517)
e) Allocation Basis (a+b+c+d)	50,204,934	9,930,141	60,135,075
f) Net interest to allocate	3,116,998	616,518	3,733,516
g) Contribution receivable	0	0	0
h) Actuarial Value of Assets as of 4/1/08 (e+f+g)	53,321,932	10,546,659	63,868,591

### Allocation of 2007 Contribution

	<u>2007 Normal Cost</u>	<u>Allocation %</u>	<u>Allocated Contributions</u>
Police	238,315	20.412%	316,520
Administrative Personnel and Union	929,209	79.588%	1,234,138
Total	1,167,524	100.000%	1,550,658

<sup>(1)</sup> Total employer contribution of \$1,550,658 split on basis of 2007 employer DB normal cost plus expenses as shown in bottom table.

<sup>(2)</sup> Benefit payments include retiree payments, as well as lump sum distributions, and expenses. Expenses are allocated to each group based on the total life count for each group as a percentage of the total life count for the entire plan.

### Development of Actuarial Value of Principal FPI Grouped Accounts

To determine the actuarial value of the Principal FPI grouped accounts we have adjusted the market value by:

- Subtracting any remaining deferred appreciation in excess of expected investment earnings.
- Adding any remaining deferred appreciation short of expected investment earnings (shortfall).

Of the total excess appreciation or shortfall for any one plan year, 25% is allocated to the current plan year and each of the next three plan years.

a)	Market value of assets as of 04/01/2007	\$62,945,513
b)	Contributions/transfers	2,217,230
c)	Benefit payments	(2,930,969)
d)	Expenses	(2,548)
e)	Expected interest on (a, b, c, and d)	4,799,543
f)	Expected value of assets as of 04/01/2008 (a+b+c+d+e)	\$67,028,769
g)	Market value of assets as of 04/01/2008	\$59,978,049
h)	Current year excess appreciation/(shortfall) (g-f)	(7,050,720)
i)	Adjustment to market value (sum of deferred amounts)	(3,890,542)
j)	Actuarial value of assets (g-i)	\$63,868,591

### Allocation of Deferred Appreciation

Allocation Year	Plan Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
2005	\$(227,513)			
2006	(227,513)	\$450,837		
2007	(227,513)	450,836	\$473,331	
2008	(227,513)	450,836	473,331	\$(1,762,680)
2009		450,836	473,331	(1,762,680)
2010			473,330	(1,762,680)
2011				(1,762,680)
Total	\$(910,052)	\$1,803,345	\$1,893,323	\$(7,050,720)
Deferred	\$0	\$450,836	\$946,661	\$(5,288,040)
Adjustment to market value (sum of deferred amounts)				\$(3,890,542)

## Section V-Development of Deposit Information

---

### Development of Normal Cost

Normal cost is the portion of cost assigned to each year. Under the projected unit credit cost method used in this valuation, each member's annual cost is calculated as described in Section VII - Actuarial Assumptions and Methods. The sum of the annual costs for all members plus an estimate of plan expenses to be paid from the fund is the total normal cost for the year.

a) Normal cost for Administrative Personnel and Union	\$1,287,648
b) Normal cost for Police	459,607
c) Estimated expenses <sup>(1)</sup>	2,548
d) Total normal cost (a+b+c)	\$1,749,803

<sup>(1)</sup> Expenses are allocated between groups based on the ratio of participants per group to the total number of participants in the plan.

## Section V-Development of Deposit Information

### Unfunded Actuarial Accrued Liability

a) Unfunded actuarial accrued liability (as of 04/01/2007)	\$2,927,549
b) Changes made during the plan year	0
c) Employer normal cost (as of 04/01/2007)	1,167,524
d) Interest on the above items	317,368
e) Total (a+b+c+d)	\$4,412,441
f) Employer contributions	\$1,550,658
g) Interest on employer contributions	8,880
h) Total (f+g)	\$1,559,538
i) Expected unfunded actuarial accrued liability (as of 04/01/2008) (e-h)	\$2,852,903
j) Actuarial accrued liability	\$66,853,253
k) Actuarial value of assets	63,868,591
l) Actual unfunded actuarial accrued liability (as of 04/01/2008) (actuarial accrued liability less actuarial value of assets) (j-k)	\$2,984,662
m) Actuarial (gain) or loss (actual less expected unfunded actuarial accrued liability) (l-i)	\$131,759

### Schedule of Amortization Bases

Your cost method allocates a portion of plan funding to be amortized in equal annual installments, rather than to be paid through future normal costs. The minimum period over which the bases are amortized are described by law or regulations.

<u>Date Created</u>	<u>Reason</u>	<u>Remaining Period (Years)</u>	<u>Outstanding Balance</u>	<u>Minimum Annual Amortization</u>	<u>Current Unfunded Balance</u>
04/01/2008	Unfunded Actuarial Accrued Liability	20	\$2,984,662	\$276,901	\$2,984,662

## Section VI-Participant Information

---

### Census Data

The census data is based on data supplied by the plan sponsor.

<u>Age Group</u>	<b>Active Participants</b>		<b>Inactive Participants</b>	
	<u>Number</u>	<u>Projected Monthly Pension</u> <sup>1</sup>	<u>Number</u>	<u>Monthly Pension</u>
Under 25	17	\$165,985	5	\$304
25 - 29	41	311,948	12	427
30 - 34	60	368,904	18	445
35 - 39	47	232,106	28	1,671
40 - 44	89	309,639	42	8,564
45 - 49	99	261,075	32	6,475
50 - 54	62	120,765	25	6,083
55 - 59	60	106,089	9	2,492
60 - 64	19	25,645	3	580
65 & over	8	8,083	3	288
Totals	502	\$1,910,239	177	\$27,329

<sup>1</sup> Projected monthly pension was calculated on the assumption that employees would experience annual compensation increases. Benefit amounts have been calculated at normal retirement age (current age if later).

### Retired Participants and Beneficiaries

<u>Age Group</u>	<u>Number</u>	<u>Monthly Benefit</u>
Under 40		
40 - 44		
45 - 49	1	\$1,324
50 - 54	11	26,801
55 - 59	14	20,574
60 - 64	28	39,521
65 - 69	34	55,214
70 - 74	37	38,443
75 - 79	23	27,319
80 - 84	12	9,054
85 & over	5	2,556
Totals	165	\$220,806

## Section VI-Participant Information

### Reconciliation of Lives

	<u>Police</u>	<u>Admin DB</u>	<u>Admin TP</u>	<u>Union DB</u>	<u>Union TP</u>	<u>Total</u>
<b>Active Participants</b>						
Count on 4/1/07	50	42	320	3	98	513
New entrants	8		17		20	45
Plan to plan transfer	2		2		-4	
Return to active status	1		1			2
Terminated, nonvested	-2		-1		-1	-4
Terminated, vested	-2		-21		-10	-33
Terminated, paid lump sum	-2		-3			-5
Retired with annuities	-2	-3	-7		-2	-14
Death		-1	-1			-2
Count on 4/1/08	53	38	307	3	101	502
<b>Inactive participants</b>						
Count on 4/1/07	5	7	124	1	24	161
New & inactive			1			1
Return to active status			-1			-1
Retired with annuities		-1	-1			-2
Retired with lump sum						
Terminated, paid lump sum	-1		-2		-13	-16
Terminated, vested	2		21		10	33
Death, deferred beneficiary			1			1
Count on 4/1/08	6	6	143	1	21	177
<b>Retired participants</b>						
Count on 4/1/07	4	82	34	27	3	150
New retired	2	3	8		2	15
Death				-1		-1
Beneficiary		2				2
Fixed period ends			-1			-1
Count on 4/1/08	6	87	41	26	5	165

## Section VII-Actuarial Assumptions and Methods

### Actuarial Valuation Assumptions

	<u>04/01/2008</u>	<u>04/01/2007</u>																																																																								
<b>Valuation Interest</b> (net of investment expenses)																																																																										
<b>Preretirement</b>	7.75%	7.75%																																																																								
<b>Postretirement</b>	7.75%	7.75%																																																																								
<b>Mortality</b>																																																																										
<b>Preretirement</b>	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																																																								
<b>Postretirement</b>	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.	RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.																																																																								
<b>Expenses</b>	Deducted from the fund according to expense scales in Service Agreement. Normal Cost includes estimated expense charge.	Deducted from the fund according to expense scales in Service Agreement. Normal Cost includes estimated expense charge.																																																																								
<b>Salary Scale</b>	Table S-5 from the <i>Actuary's Pension Handbook</i> plus 3.0% for TP Members, 2.5% for Police Members, and 2.0% for DB Members.  Selected rates of increase are shown below:	Table S-5 from the <i>Actuary's Pension Handbook</i> plus 3.0% for TP Members, 2.5% for Police Members, and 2.0% for DB Members.  Selected rates of increase are shown below:																																																																								
	<table><tr><td><u>Age</u></td><td><u>TP</u></td><td><u>Police</u></td><td><u>DB</u></td></tr><tr><td>20</td><td>8.10%</td><td>7.60%</td><td>7.10%</td></tr><tr><td>25</td><td>7.18</td><td>6.68</td><td>6.18</td></tr><tr><td>30</td><td>6.57</td><td>6.07</td><td>5.57</td></tr><tr><td>35</td><td>6.11</td><td>5.61</td><td>5.11</td></tr><tr><td>40</td><td>5.72</td><td>5.22</td><td>4.72</td></tr><tr><td>45</td><td>5.39</td><td>4.89</td><td>4.39</td></tr><tr><td>50</td><td>5.12</td><td>4.62</td><td>4.12</td></tr><tr><td>55</td><td>4.88</td><td>4.38</td><td>3.88</td></tr></table>	<u>Age</u>	<u>TP</u>	<u>Police</u>	<u>DB</u>	20	8.10%	7.60%	7.10%	25	7.18	6.68	6.18	30	6.57	6.07	5.57	35	6.11	5.61	5.11	40	5.72	5.22	4.72	45	5.39	4.89	4.39	50	5.12	4.62	4.12	55	4.88	4.38	3.88	<table><tr><td><u>Age</u></td><td><u>TP</u></td><td><u>Police</u></td><td><u>DB</u></td></tr><tr><td>20</td><td>8.10%</td><td>7.60%</td><td>7.10%</td></tr><tr><td>25</td><td>7.18</td><td>6.68</td><td>6.18</td></tr><tr><td>30</td><td>6.57</td><td>6.07</td><td>5.57</td></tr><tr><td>35</td><td>6.11</td><td>5.61</td><td>5.11</td></tr><tr><td>40</td><td>5.72</td><td>5.22</td><td>4.72</td></tr><tr><td>45</td><td>5.39</td><td>4.89</td><td>4.39</td></tr><tr><td>50</td><td>5.12</td><td>4.62</td><td>4.12</td></tr><tr><td>55</td><td>4.88</td><td>4.38</td><td>3.88</td></tr></table>	<u>Age</u>	<u>TP</u>	<u>Police</u>	<u>DB</u>	20	8.10%	7.60%	7.10%	25	7.18	6.68	6.18	30	6.57	6.07	5.57	35	6.11	5.61	5.11	40	5.72	5.22	4.72	45	5.39	4.89	4.39	50	5.12	4.62	4.12	55	4.88	4.38	3.88
<u>Age</u>	<u>TP</u>	<u>Police</u>	<u>DB</u>																																																																							
20	8.10%	7.60%	7.10%																																																																							
25	7.18	6.68	6.18																																																																							
30	6.57	6.07	5.57																																																																							
35	6.11	5.61	5.11																																																																							
40	5.72	5.22	4.72																																																																							
45	5.39	4.89	4.39																																																																							
50	5.12	4.62	4.12																																																																							
55	4.88	4.38	3.88																																																																							
<u>Age</u>	<u>TP</u>	<u>Police</u>	<u>DB</u>																																																																							
20	8.10%	7.60%	7.10%																																																																							
25	7.18	6.68	6.18																																																																							
30	6.57	6.07	5.57																																																																							
35	6.11	5.61	5.11																																																																							
40	5.72	5.22	4.72																																																																							
45	5.39	4.89	4.39																																																																							
50	5.12	4.62	4.12																																																																							
55	4.88	4.38	3.88																																																																							

## Section VII-Actuarial Assumptions and Methods

<b>Retirement Age</b>	Police: The earlier of attained age 60 or 25 years of credited service.	Police: The earlier of attained age 60 or 25 years of credited service.																																																						
	Administrative Personnel and Union: The latter of attained age 60 or ten years of credited service.	Administrative Personnel and Union: The latter of attained age 60 or ten years of credited service.																																																						
<b>Marriage/Age Spread</b>	75% married; male is three years older than the female.	75% married; male is three years older than the female.																																																						
<b>Disability</b>	1987 Commissioner's Group Disability Table, six month elimination period, male and female	1987 Commissioner's Group Disability Table, six month elimination period, male and female																																																						
	Selected rates of disablement are shown below:	Selected rates of disablement are shown below:																																																						
	<table> <tr> <th><u>Age</u></th><th><u>Male</u></th><th><u>Female</u></th></tr> <tr><td>25</td><td>.00085</td><td>.00107</td></tr> <tr><td>30</td><td>.00077</td><td>.00136</td></tr> <tr><td>35</td><td>.00121</td><td>.00200</td></tr> <tr><td>40</td><td>.00169</td><td>.00270</td></tr> <tr><td>45</td><td>.00280</td><td>.00387</td></tr> <tr><td>50</td><td>.00515</td><td>.00610</td></tr> <tr><td>55</td><td>.00969</td><td>.00940</td></tr> <tr><td>60</td><td>.01482</td><td>.01198</td></tr> </table>	<u>Age</u>	<u>Male</u>	<u>Female</u>	25	.00085	.00107	30	.00077	.00136	35	.00121	.00200	40	.00169	.00270	45	.00280	.00387	50	.00515	.00610	55	.00969	.00940	60	.01482	.01198	<table> <tr> <th><u>Age</u></th><th><u>Male</u></th><th><u>Female</u></th></tr> <tr><td>25</td><td>.00085</td><td>.00107</td></tr> <tr><td>30</td><td>.00077</td><td>.00136</td></tr> <tr><td>35</td><td>.00121</td><td>.00200</td></tr> <tr><td>40</td><td>.00169</td><td>.00270</td></tr> <tr><td>45</td><td>.00280</td><td>.00387</td></tr> <tr><td>50</td><td>.00515</td><td>.00610</td></tr> <tr><td>55</td><td>.00969</td><td>.00940</td></tr> <tr><td>60</td><td>.01482</td><td>.01198</td></tr> </table>	<u>Age</u>	<u>Male</u>	<u>Female</u>	25	.00085	.00107	30	.00077	.00136	35	.00121	.00200	40	.00169	.00270	45	.00280	.00387	50	.00515	.00610	55	.00969	.00940	60	.01482	.01198
<u>Age</u>	<u>Male</u>	<u>Female</u>																																																						
25	.00085	.00107																																																						
30	.00077	.00136																																																						
35	.00121	.00200																																																						
40	.00169	.00270																																																						
45	.00280	.00387																																																						
50	.00515	.00610																																																						
55	.00969	.00940																																																						
60	.01482	.01198																																																						
<u>Age</u>	<u>Male</u>	<u>Female</u>																																																						
25	.00085	.00107																																																						
30	.00077	.00136																																																						
35	.00121	.00200																																																						
40	.00169	.00270																																																						
45	.00280	.00387																																																						
50	.00515	.00610																																																						
55	.00969	.00940																																																						
60	.01482	.01198																																																						

## Section VII-Actuarial Assumptions and Methods

### Withdrawal

The following illustrative rates were used.

For employees with less than six years of service (excluding those in the Adm. And Union DB):

<u>Service</u>	<u>Adm. TP</u>	<u>Union TP</u>	<u>Police</u>
0	.1200	.1200	.0800
1	.1120	.1120	.0720
2	.1040	.1040	.0640
3	.0960	.0960	.0480
4	.0880	.0880	.0400
5	.0800	.0800	.0320

For employees with six or more years of service:

V Table from August 1992 Pension Forum published by the Society of Actuaries, multiplied by .90 for Adm. And Union TP, .25 for Adm. DB, and .25 for Police.

Selected rates of withdrawal are shown below:

<u>Age</u>	<u>Union TP &amp; Adm. TP</u>	<u>Adm. DB</u>	<u>Police</u>
20	.1674	.0465	.0465
25	.1224	.0340	.0340
30	.0909	.0253	.0253
35	.0711	.0198	.0198
40	.0585	.0163	.0163
45	.0495	.0138	.0138
50	.0405	.0113	.0113
55	.0000	.0000	.0000

No withdrawal is assumed for the Union DB.

The following illustrative rates were used.

For employees with less than six years of service (excluding those in the Adm. And Union DB):

<u>Service</u>	<u>Adm. TP</u>	<u>Union TP</u>	<u>Police</u>
0	.1200	.1200	.0800
1	.1120	.1120	.0720
2	.1040	.1040	.0640
3	.0960	.0960	.0480
4	.0880	.0880	.0400
5	.0800	.0800	.0320

For employees with six or more years of service:

V Table from August 1992 Pension Forum published by the Society of Actuaries, multiplied by .90 for Adm. And Union TP, .25 for Adm. DB, and .25 for Police.

Selected rates of withdrawal are shown below:

<u>Age</u>	<u>Union TP &amp; Adm. TP</u>	<u>Adm. DB</u>	<u>Police</u>
20	.1674	.0465	.0465
25	.1224	.0340	.0340
30	.0909	.0253	.0253
35	.0711	.0198	.0198
40	.0585	.0163	.0163
45	.0495	.0138	.0138
50	.0405	.0113	.0113
55	.0000	.0000	.0000

No withdrawal is assumed for the Union DB.

### Inflation

3.0% each year until retirement.

3.0% each year until retirement.

No assumption for granting future cost-of-living adjustments is included in the plan costs.

## Section VII-Actuarial Assumptions and Methods

---

### Actuarial Methods

	<u>04/01/2008</u>	<u>04/01/2007</u>
<b>Actuarial cost method</b>	Entry age normal	Entry age normal
<b>Actuarial value of assets</b>		
Principal Life Insurance Company accounts		
FPI grouped accounts	Market value is adjusted by spreading the expected value minus the actual value over four years.	Market value is adjusted by spreading the expected value minus the actual value over four years.
Deposits after the plan year end	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.	Deposits received in the current plan year, but applied to the prior plan year, are included in assets at their face value.
<b>Retirees</b>	Assets and liabilities for retirees whose benefits are not guaranteed by your contract are included in your valuation.	Assets and liabilities for retirees whose benefits are not guaranteed by your contract are included in your valuation.
<b>Annual Required Contribution</b>	Normal cost plus 20-year amortization of unfunded actuarial accrued liability with interest to end of plan year.	Normal cost plus 20-year amortization of unfunded actuarial accrued liability with interest to end of plan year.

## Section VII-Actuarial Assumptions and Methods

---

### Description of Actuarial Cost Method Entry Age Normal

#### Ultimate Cost

The ultimate cost of your pension plan is:

- Benefit payments
- Plus expenses
- Less investment income

This cost can't be determined until the last benefit has been paid. Regardless of which actuarial cost method is used, the ultimate cost remains the same.

#### Cost Methods

A cost method is a budgeting tool. It helps to ensure that your pension plan is adequately and systematically funded. Cost methods differ based on how they assign an annual cost to the current year and how they treat gains and losses.

#### Normal Cost

The portion of cost assigned to each year is called the normal cost. The normal cost may be shared by the employer and the employees based on plan provisions.

#### Entry Age Normal

The entry age normal cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Costs are spread evenly from a member's date of hire to assumed retirement age. This annual cost is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related. The sum of each member's annual cost is the normal cost.

There are some accumulated costs for past years. The value of these past costs is the actuarial accrued liability (AAL). Each year the unfunded actuarial accrued liability (UAAL) is the AAL less the actuarial value of assets, but not less than zero. The UAAL is adjusted when there are plan or assumption changes (a liability base is created).

#### Actuarial Gains/Losses

An actuarial gain or loss occurs when actual plan experience differs from what was assumed. The actuarial gain or loss is calculated separately but the total UAAL is amortized over 20 years each year in accordance with the City's funding policy.

## Section VIII-Summary of Plan Provisions

---

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

### 1. Plan Eligibility

	<b><u>Defined Benefit Option</u></b>	<b><u>Thrift Plan Option</u></b>
a. Administrative Personnel	Hired prior to 4-15-86 and elected not to transfer to Thrift Plan.	Hired prior to 4-15-86 and elected to transfer from Defined Benefit Option or hired on or after 4-15-86.
b. Union Employees	Hired prior to 12-2-86 and elected not to transfer to Thrift Plan.	Hired prior to 12-2-86 and elected to transfer from Defined Benefit Option or hired on or after 12-2-86.
c. Police Employees	All police employees are eligible for the Defined Benefit Option only.	N/A.

### 2. Normal Retirement Benefit

<b>Form</b>	All employees will receive a monthly annuity guaranteed for ten years and life thereafter (optional forms may be elected in advance of retirement).	
-------------	---	--

	<b><u>Defined Benefit Option</u></b>	<b><u>Thrift Plan Option</u></b>
a. Administrative Personnel and Union Employees	Attained age 60.	Attained age 60.
b. Police	Earlier of attained age 60 or 25 years of service.	N/A.

#### **Amount (Accrued Benefit)**

a. Union Employees	1.8% of average earnings times credited service.	The sum of (i), (ii) and (iii):  (i) 1.8% of average earnings times credited service prior to 1-1-87.  (ii) 1.0% of average earnings times credited service after 12-31-86  (iii) Actuarial equivalent of a lump sum payment of members Thrift Plan Option vested account balance. Member may elect a cash distribution or combination of cash and annuity
--------------------	--	--

## Section VIII-Summary of Plan Provisions

---

b. Administrative Personnel	<b><u>Defined Benefit Option</u></b>	<b><u>Thrift Plan Option</u></b>
	The sum of (i) and (ii)	The sum of (i), (ii), (iii) and (iv):
	(i) 1.8% of average earnings times credited service prior to 4-1-96.	(i) 1.8% of average earnings times credited service prior to 4-1-86.
	(ii) 2.0% of average earnings times credited service on or after 4-1-96.	(ii) 1.0% of average earnings times credited service after 4-1-86 and prior to 4-1-96.
		(iii) 1.2% of average earnings times credited service on or after 4-1-96.
		(iv) Actuarial equivalent of lump sum payment of members Thrift Plan Option vested account balance. Member may elect a cash distribution or combination of cash and annuity.
c. Police Employees	The lesser of (i) and (ii)	N/A
	(i) 2.0% of average earnings times credited service up to 4-1-04, plus 2.25% of average earnings times credited service on and after 4-1-04.	
	(ii) 67.5% of average earnings	
<b>3. Early Retirement Benefit</b>		
<b>Eligibility</b>	All employees will be eligible for early retirement upon attained age 50 with completion of ten years of credited service.	
<b>Form</b>	Same as normal retirement benefit.	
<b>Amount</b>	Accrued benefit as of early retirement date reduced to reflect the payments begin prior to normal retirement date.	

## Section VIII-Summary of Plan Provisions

---

### Reduction Factors

- |   |   |
|---|---|
| a. Administrative Personnel and Union Employees | 1/4 of 1% for each month the benefit commences prior to normal retirement date.   |
| b. Police                                       | 6/10 of 1% for each month during the first sixty months and 3/10 of 1% for each month during the next sixty months the benefit commences prior to normal retirement date. |

### 4. Late Retirement Benefit

<b>Form</b>	Same as normal retirement benefit.
-------------	------------------------------------

<b>Amount</b>	Accrued benefit as of late retirement date.
---------------	---

### 5. Deferred Vested Benefit

<b>Eligibility</b>	Termination of employment after ten years of credited service.
--------------------	--

<b>Form</b>	Same as normal retirement benefit with income deferred until normal retirement date.
-------------	--

<b>Amount</b>	Accrued benefit as of date of termination.
---------------	--

In lieu of receiving a retirement benefit, an employee may elect to receive a lump sum payment equal to that which the employee would have received under item 6. below.

### 6. Termination Benefit

#### Defined Benefit Option

<b>Eligibility</b>	Termination of employment prior to early or normal retirement date and before completing ten years of credited service.
--------------------	---

<b>Form</b>	Lump sum payment.
-------------	-------------------

## Section VIII-Summary of Plan Provisions

---

**Amount**

The sum of (i) and (ii):

- (i) Employee contributions plus interest.
- (ii) A portion of the City's contributions plus credited interest according to the following schedule:

Years of Credited <u>Service</u>	Percent of City Share <u>Earned</u>
Less than 5	0%
5	50
6	60
7	70
8	80
9	90
10 and over	100%

City contributions are deemed to be 150% of the employee's contributions plus credited interest.

### **Thrift Plan Option**

**Eligibility**

Termination of employment prior to early or normal retirement date and before completing seven years of credited service.

**Form**

Lump sum payment.

**Amount**

Vested account balance.

**7. Death Benefit**

**Eligibility**

Active married employee with ten years of credited service.

**Form**

Monthly annuity payable to spouse.

**Amount**

50% of the member's accrued benefit as of date of death.

**8. Lump Sum Death Benefit**

**Eligibility**

Not eligible for death benefit described in 7.

**Form**

Lump sum payment to beneficiary.

## Section VIII-Summary of Plan Provisions

---

<b>Amount</b>	<b><u>Defined Benefit Option</u></b>	<b><u>Thrift Plan Option</u></b>
	Employee contributions plus credited interest.	Vested account balance.
	In lieu of any other death benefit, the deceased employee's beneficiary may elect to receive a lump sum payment equal to that which the employee would have received under item 6. above.	
<b>9. Contributions</b>		
<b>Employee</b>	<b><u>Defined Benefit Option</u></b>	<b><u>Thrift Plan Option<sup>1</sup></u></b>
a. Union	4.2% of earnings plus 1/2 the excess (if any) of the City's contribution over 6.5% of earnings.	1%, 2%, 3%, 4%, or 5% of earnings.
b. Administrative Personnel	5.2% of earnings plus 1/2 the excess (if any) of the City's contribution over 6.5% of earnings.	1.0% of earnings will be contributed to the Defined Benefit portion.  1%, 2%, 3%, 4%, or 5% of earnings will be contributed to the Thrift Plan portion.
c. Police	8.5% of earnings	N/A.
<b>City</b>	Remaining cost of plan.	\$ .50 for each \$1.00 contributed by member. (Applies to Administrative Personnel and Union employees only.)
<b>10. Cost of Living Adjustment</b>		
	There was a 1% cost-of-living increase for current retirees on January 1, 2008.	

<sup>1</sup>Employee contributions and match of the Thrift Plan Option are described here. However, only the Defined Benefit plan portion of liabilities is reflected in this valuation.

## Section VIII-Summary of Plan Provisions

---

### 11. Definitions

#### **Credited Prior Service**

An employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month, completed from date of employment to July 1, 1969.

The member will receive credited prior service provided employee contributions were made as required by the plan.

#### **Credited Future Service**

An employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month completed from the later of July 1, 1969, or the date member is first included in the plan, to the date of termination or retirement, whichever occurs first.

The member will receive credited future service provided employee contributions are made as required by the plan.

#### **Credited Service**

Sum of credited prior service, if any, and credited future service.

#### **Earnings**

The employee's salary or wage at the basic rate of pay, including longevity pay, exclusive of overtime pay, bonuses, and commissions.

#### **Average Earnings**

- a. Administrative Personnel and Union Employees

Average of earnings during the 36 consecutive months of the last 120 months of City employment which produce the highest average.

- b. Police

The average annual earnings during the final 60 months of City employment.

#### **Interest on Employee Contributions**

- a. Defined Benefit Option

6.0% per year.

- b. Thrift Plan Option

In accordance with the terms of the investment contract.

## Section VIII-Summary of Plan Provisions

---

### **Vested Account Balance**

The sum of (i) and (ii):

- (i) Employee contributions plus credited interest.
- (ii) The account balance attributable to City contributions with credited interest in accordance with the following:

Years of Credited <u>Service</u>	Percent of City Share <u>Earned</u>
Less than 5	0%
5	50
6	60
7	70
8	80
9	90
10 and over	100%

## Section IX-Accounting Disclosure Information for SFAS35

---

### Present Value of Accumulated Plan Benefits

Present value of vested and nonvested accrued benefits are based on the **valuation assumptions** shown in Section VII of this report (salary scale, if any, is not included in the calculation of accrued benefits). If the valuation includes retirees under the floor or benefit index option of the plan's funding arrangement, then those liabilities are also included below. This information may be used for Statement of Financial Accounting Standards No. 35 (SFAS35). These amounts should not be used for other purposes such as estimating plan termination sufficiency.

	<u>04/01/2008</u>	<u>04/01/2007</u>
<b>Present Value of Vested Benefits</b>		
Retired members	\$25,358,718	\$21,991,171
Inactive members	1,894,089	2,017,103
Active members	23,933,332	25,107,368
Total	\$51,530,531	\$49,115,642
<b>Present Value of Nonvested Benefits</b>		
Inactive members	\$0	\$0
Active members	3,443,922	1,557,940
Total	\$3,443,922	\$1,557,940
<b>Total Present Value of Accumulated Plan Benefits</b>	<b>\$51,530,531</b>	<b>\$50,673,582</b>

There have been no changes in the plan benefits, actuarial cost method, or actuarial assumptions or procedures affecting comparability of costs between periods.

### Change in Present Value of Accumulated Plan Benefits

<b>Present Value of Accumulated Plan Benefits as of 04/01/2007</b>	<b>\$50,673,582</b>
<b>Increase (decrease) during the year due to:</b>	
Increase for interest due to decrease in the discount period	3,927,203
Benefits paid	(2,930,969)
Benefits accumulated and plan experience	(139,285)
Change in assumptions	0
Plan amendment	0
Method changes	0
<b>Present Value of Accumulated Plan Benefits as of 04/01/2008</b>	<b>\$51,530,531</b>

# Inputs and Warnings

## Input Information

Current Year: 2008    Current Contract: 445822  
Prior Year: 2007      Prior Contract: 445822

Report Created By Matt Sampogna

Are Late Deposits Discounted? = No  
Show PV Split by: = None  
Total Benefits Paid During the Prior Plan Year for ABO Roll Forward: = 0  
Are There Any Deposits for the Current Plan Year: = None  
Current Plan Year Deposits: = None

Is Required Installment the Same as the Amount Shown in our RI Letter? = NA  
What is the Date of the RI Letter? = NA  
Was UVB Notice Required for Both the Current Year and Prior Year? = NA

Are any current benefits or future benefits provided under the IPG floor or benefit index? = No  
What is the current liability of the Benefit Index or IPG floor retired lives that needs to be excluded from HCE current liability? = NA

## Warning and Informational Messages

All Census Data values are showing as 0. Check the accuracy of these values. Also, check to make sure that the necessary Census data files exist in T:\LVDData.

Warning: Check your Deposit Option table closely. It may not be correct for your situation and may need to be modified.

Warning: Check your Deposit Option table closely. It may not be correct for your situation and may need to be modified.

Warning: Amortization and interest need to be entered on the CVR under Annual Required Contribution.

Warning: The Adjustment to market value does not equal the sum of the deferred funding amounts on the first asset spread page. Please check carefully.

Errors occurred while processing paragraph p60\_100\_010.

The error encountered indicates the document to be merged does not exist or the path to the document is wrong.

Document trying to be merged = EMERGLIAB

Attempted path to document = T:\LVDData\2008\445822\CVR\_EL.doc

# Mailing Instructions

Contract #: 4-45822

Case Name: City of Rockville Defined Benefit Pension Plan

Analyst: Matt Sampogna

Wk#: 282

Worked by: \_\_\_\_\_

Timing: \_\_\_\_\_

When Finished with Files: \_\_\_\_\_ Analyst \_\_\_\_\_ Micro \_\_\_\_\_ File \_\_\_\_\_ Other \_\_\_\_\_

Valuation Date: 04/01/2008

\_\_\_\_\_ Valuation Cover Letter \_\_\_\_\_ Valuation with Deposit Increase Cover Letter  
\_\_\_\_\_ Valuation NonErisa Cover Letter – No reference to Required Installments (e.g: Non ERISA or First Year cases)  
\_\_\_\_\_ AFTAP Certification Cover Letter  
\_\_\_\_\_ Borough Valuation Cover Letter  
GASB 25 Included \_\_\_\_\_ Yes (Include sentence in letter) \_\_\_\_\_ No  
\_\_\_\_\_ Installation Cover Letter \_\_\_\_\_ Institutional Plan – Actuary will write letter

Fund Selection Services: \_\_\_\_\_ Yes \_\_\_\_\_ No Date Sent \_\_\_\_\_

Send Emerging Liability Detail Information to: Pen Inv Svcs T-009-S40

## Special Mailing Instructions

\_\_\_\_\_ RUSH Overnight Send to arrive \_\_\_\_\_  
\_\_\_\_\_ RUSH Regular Mail \_\_\_\_\_ Today \_\_\_\_\_ By \_\_\_\_\_  
\_\_\_\_\_ If not standard mail to: \_\_\_\_\_  
\_\_\_\_\_ No Letter Needed  
\_\_\_\_\_ 2007 ERISA with 2008 Estimates Cover Letter  
\_\_\_\_\_ 2007 ERISA Opt Out Cover Letter  
\_\_\_\_\_ 2007 ERISA No PPA Bulletin

Additional Info: \_\_\_\_\_

\_\_\_\_\_ Schedule B Year \_\_\_\_\_

Govt Reporting Service (GOVI) \_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_\_\_ Electronic Filing/Mag-Tape

\_\_\_\_\_ Deficiency Enclosure

\_\_\_\_\_ Single Employer

\_\_\_\_\_ Multi-Employer

\_\_\_\_\_ Revised (Val Asst. Notes on Cover Page)

\_\_\_\_\_ PBGC Schedule A Year \_\_\_\_\_

Do we provide PBGC Svc? (GVGC) \_\_\_\_\_ Yes \_\_\_\_\_ No

UVB Participant Notification Packet (For Current Year)

\_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_\_\_ Amended/Replaced Schedule A (Include PACS instructions for Mailing)

\_\_\_\_\_ General Method is Less \_\_\_\_\_ Lost Internally

\_\_\_\_\_ Additional Deposit \_\_\_\_\_ Lost by CH

\_\_\_\_\_ Other

## Review Comments

Analyst <b>Matt Sampogna</b>	Date Worked <b>08/26/2008</b>	Follow Up Call Needed ___ Yes ___ No				Job Code <b>201</b>								
Contract Number <b>4-45822</b>	<b>City of Rockville Defined Benefit Pension Plan</b>					Quality Assessment Score								
Reviewer <b>Michael E. Clark</b>	Date Reviewed	<div>PASI Difficulty</div> <table border="1"> <tr> <td colspan="2">Analyst</td> <td colspan="2">Actuary</td> </tr> <tr> <td>CY</td> <td>Cont.</td> <td>CY</td> <td>Cont.</td> </tr> </table>				Analyst		Actuary		CY	Cont.	CY	Cont.	Timing Deadline
Analyst		Actuary												
CY	Cont.	CY	Cont.											

## Comments

Assets	Action Needed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
--------	----------------	------------------------------	-----------------------------

Gain/Loss	Action Needed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
-----------	----------------	------------------------------	-----------------------------

---

Calculations & Output	Action Needed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
-----------------------	----------------	------------------------------	-----------------------------

Documentation                      Action Needed?           Yes           No

Report \_\_\_\_\_ Action Needed? \_\_\_\_\_ Yes \_\_\_\_\_ No

Notes	Return to Actuary?	
	Yes	No
Action Needed?	Yes	No

## Follow Up Call

Contract Number 4-45822	Contract Name City of Rockville Defined Benefit Pension Plan
Analyst Matt Sampogna	Actuary Michael E. Clark
Suggested Call Topics:	
Call made by: _____ Date: _____	
**Please remember to notify CSA when call has been completed.	

# Quality Assessment Worksheet

Analyst Matt Sampogna	Date Worked 08/26/2008	Job Code 201
Actuary Michael E. Clark	PASI Code	First Reviewer
Contract Number 4-45822	Contract Name City of Rockville Defined Benefit Pension Plan	

<u>Score</u>	<u>Potential Observations</u>
1	<b>Complete re-work needed</b> <ul style="list-style-type: none"> <li>Major calculation errors in several areas, and/or</li> <li>Understanding of process/concepts not demonstrated</li> </ul>
2	<b>Needs improvement</b> <ul style="list-style-type: none"> <li>Some calculation errors,</li> <li>Inadequate documentation, and/or</li> <li>Demonstrates incomplete understanding of process/concepts</li> </ul>
3	<b>Good performance</b> <ul style="list-style-type: none"> <li>Calculations acceptable,</li> <li>Adequate documentation,</li> <li>Some changes needed for report/analysis, and/or</li> <li>Demonstrates good understanding of process/concepts</li> </ul>
4	<b>Very good performance</b> <ul style="list-style-type: none"> <li>Correct results and analysis,</li> <li>Good documentation,</li> <li>Virtually no changes for report (mostly actuary preferences),</li> <li>Demonstrates thorough understanding of process/concepts, and/or</li> <li>Identifies proactive situation for client</li> </ul>
5	<b>Exceptional performance</b> <ul style="list-style-type: none"> <li>Went above and beyond in some aspects of the work</li> </ul>

Quality Score \_\_\_\_\_

PASI Code \_\_\_\_\_

Analyst's Overall Score \_\_\_\_\_

An analyst's overall score is calculated by taking the Quality Rating and adding the PASI Difficulty Rating.

Comments: